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TAGS: [EFIN](#) [EAID](#) [EAGR](#) [PGOV](#) [PHUM](#) [TI](#)
SUBJECT: NEW DEPUTY PRIME MINISTER ALIMARDON DISCUSSES
AGRICULTURAL REFORM, AND ASKS FOR MORE MONEY

REF: A. (A) DUSHANBE 86
[1](#)B. (B) DUSHANBE 169

Classified By: Tom Hushek, Deputy Chief of Mission, U.S. Embassy Dushan
be, STATE.
REASON: 1.4 (b), (d)

[1](#)1. (C) Summary: Newly appointed Deputy Prime Minister for Economic Affairs Murodali Alimardon briefed emboffs on his agricultural reform priorities and made a pitch for more donor financing. EmbOffs said new financing was unlikely, and suggested Tajikistan make better use of the funds it has now. End Summary.

[1](#)2. (C) Mr. Alimardon was previously known as Alimardonov; his recent name change is part of a general Tajikification of names by senior government officials. In January President Rahmon removed Alimardon from his position as Central Bank Chairman in connection with the cotton debt crisis and the Bank's misreporting to the IMF (Reftels). However, Rahmon did not fire him; instead he appointed Alimardon to a new senior government economic policy position, as Deputy Prime Minister for Economics, and specifically charged him with agricultural reform. Alimardon requested a meeting on January 30 with PolEcon Chief to lay out his priorities on agricultural reform and get the embassy's views on them. USAID Mission Deputy Director also participated. Immediately following this meeting Alimardon had a larger meeting with a group of donor organizations including USAID, the Asian Development Bank, European Bank for Reconstruction and Development, and the International Monetary Fund.

[1](#)3. (C) Emboffs asked Alimardon to outline his responsibilities as Deputy Prime Minister for Agriculture. Alimardon said he would focus on land reform and agricultural sector reform and modernization. He emphasized that the Tajik Government was serious now about agricultural reform, and described this as a critical point in time for Tajikistan.

[1](#)4. (C) Alimardon laid out his ideas in general: freedom to farm, settling the debts of cotton farmers and investors, and modernizing the agricultural sector to make it more competitive. He mentioned getting harvesting machinery, new handling facilities, and textile processing factories to make cotton production more competitive. When we asked whether supporting cotton was the right path, he said he also sought modernization of other crop sectors. These modernization schemes included setting up leasing companies for farm equipment, and Alimardon asked us to help bring U.S.

agricultural companies here as investors. He also said the Government could prevail upon cotton gin owners to sell their equipment to pay for new technology, if necessary.

15. (C) Emboffs outlined for Alimardon the agricultural development and reform programs the United States already conducts in Tajikistan, emphasizing that these programs support agricultural diversification and economic sustainability, food security, and land reform. Emboffs said the U.S. Government was fostering Tajikistan's agricultural reform, and would continue to do so.

Still Subsidizing Cotton

16. (C) We noted, however, that we had heard anecdotally that the Tajik Government was not so enthusiastic on this score; local officials were still forcing farmers to plant cotton in many parts of the country. Alimardon acknowledged this was going on, and said stopping this practice would be his focus for the next few weeks. He added that land reform was a key Qfor the next few weeks. He added that land reform was a key part of his portfolio, and said tax policy presented an additional serious problem, as farmers had to pay taxes based on the amount of land they had in use, rather than on actual production. They also paid profit taxes on their cotton (it is unclear to us whether this tax is due regardless of actual profit or loss), plus sales taxes to local governments, which "are used to living off of cotton revenue."

17. (C) We asked about recent press reports that the Tajik Government had ordered 100 million Somonis (approximately \$30 million) to be used to invest in a new cotton crop. Alimardon argued that it was impractical to switch away from cotton production all at once, and said the Government's goal was to reduce cotton production by about 40 percent over the next few years. We asked where the \$30 million had come from

(suspecting it came from Alimardon's own pocket as a bribe to keep his position in government); Alimardon offered only that the Ministry of Finance had been ordered to loan this sum to private banks to loan to cotton farmers. He did not say where the Finance Ministry had gotten this money from.

18. (C) Alimardon emphasized that the Tajik Government needs donor financing to realize its modernization plans, and hoped the United States could help. He did not give any estimate of the amount of money he sought; rather, he wanted to gauge our general views on this. He also suggested that EximBank could play a role in financing U.S. agricultural equipment for Tajikistan. (He seemed unaware that EximBank rates Tajikistan as "off cover," i.e. not creditworthy and therefore ineligible for routine transactions - this is clearly displayed on EximBank's website.) PolEcon Chief replied that the misreporting issues with the IMF made it difficult to consider new financial aid to Tajikistan at this time, and suggested that the Tajik Government has resources it could draw on if it would better prioritize its spending. Alimardon agreed that the Government did not always spend public money wisely, and said he looked to us and other donors to help identify problems. PolEcon Chief took this opportunity to point out some very expensive and economically pointless presidential show projects, such as the Palace of the Nation now under construction in Dushanbe, as examples of problem spending which had not escaped the notice of donors. He also noted that while the current winter energy crisis had left most of Tajikistan literally in the dark, the state-owned Tajik Aluminum Company continued to function and, presumably, generate revenue which the Government could use. Alimardon smilingly agreed.

Plane Fantasy

19. (C) However, he seemed not to get the point, as he then mentioned that EximBank could also help with another presidential priority -- the acquisition of a new Boeing 737-800 for presidential transport service. This airplane

would be owned by state-owned TajikAir and would also fly commercial service, Alimardon pointed out. PolEcon Chief asked whether the President might perhaps look for a pre-owned airplane, which could be considerably less expensive than a new one; Alimardon said the important thing was not the price of the airplane, but that it would be used to make money whenever it was not required by the President. (Note: EximBank's website also indicates that aircraft financing for "off-cover" countries is more likely to gain approval if it concerns a private airline with an established operating record - criteria TajikAir is not on track to meet in the foreseeable future.)

Credibility Gap

¶10. (C) PolEcon Chief commented to Alimardon that in dealing with international donors in his new position, he faced a serious personal credibility problem because of his lead role in misreporting Tajik government finances to the IMF, and in involving the Central Bank in propping up an unprofitable cotton sector. Donors were surprised that in removing the Central Bank Chairman because of the misreporting issue, the President had seen fit to simply move him to another high economic position. Alimardon agreed that he had a credibility gap to overcome, and reemphasized that he would concern himself only with Agriculture, not with state financial policies. He seemed to miss the irony of this explanation.

¶11. (C) At the follow on meeting with donors, Alimardon confirmed reports that the \$30 million from the Finance Ministry mentioned in para 6 had been given to private banks and that these banks were, under government instruction, using that money to give loans to cotton growers.

Comment: All the Wrong Moves

¶12. (C) Alimardon did not give us reason to feel confident that the Tajik Government is as serious as he claims it is about agricultural sector reform. His appointment as Deputy Prime Minister for Economic Affairs, following his problematic leadership of the Central Bank, suggests that President Rahmon does not understand the degree of donor

unhappiness over the cotton debt and IMF misreporting, and is content to continue allowing cronies to control economic policy for their short term personal gain. Our influence here is limited because the President believes there will always be another international economic bailout to save him from his economic mismanagement, is personally insulated from the suffering of Tajik cotton farmers, and because nothing has yet arisen to convince him that the current economic difficulties threaten his hold on power. We need to continue to coordinate with other donors and international financial institutions to present a united front on misuse of state funds, lack of real reform of the cotton sector, and lack of senior-level accountability in the government. End Comment.
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